

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7040**

**BILL NUMBER:** SB 432

**NOTE PREPARED:** Jan 5, 2011

**BILL AMENDED:**

**SUBJECT:** Property Tax Rate Cap Mitigation Grants.

**FIRST AUTHOR:** Sen. Lanane

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill provides grants from the State Gaming Fund to school corporations to replace property tax revenue not received because of the property tax rate cap. It annually appropriates to the Department of Education from the State Gaming Fund the amount necessary to make these grants. It provides that if a school corporation loses more than 33% of its property tax revenue because of the property tax rate cap, the school corporation qualifies for a levy replacement grant equal to 80% of the lost amount. It provides that if a school corporation loses not more than 33% of its property tax revenue because of the property tax rate cap, the school corporation may apply for a grant in an amount determined by the Department of Local Government Finance (DLGF).

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** *Circuit Breaker Loss Replacement Grant Costs:* The bill establishes a program to provide grants to school corporations to replace circuit breaker losses beginning in CY 2011. The circuit breaker loss replacement grant would be equal to: (1) 80% of a school corporation's circuit breaker losses, if the circuit breaker losses exceed 33% of the school corporation's total property tax levy; or (2) an amount determined by the DLGF up to 80% of a school corporation's circuit breaker losses, if the circuit breaker losses are less than 33% of the school corporations total property tax levy.

Under the bill, the State Budget Agency would be required to make an initial estimate of each school corporation's grant amount by July 30<sup>th</sup>, each year. The grant would then be paid in 2 equal installments. With the July 30<sup>th</sup> deadline for grant estimates, it is presumed that both installments would be paid during the last half of the calendar year. The table below reports the estimated minimum and maximum cost of replacement grants for FY 2012-FY 2014.

Fiscal Year	Minimum	Maximum
2012	\$16.2 M	\$143.1 M
2013	\$11.4 M	\$136.0 M
2014	\$11.1 M	\$125.4 M

The minimum cost results from the required 80% replacement grants (described in (1) above). The maximum cost includes the cost of the required 80% grants and the estimated cost of the discretionary replacement grants (described in (2) above) assuming the DLGF awards the maximum grant to each eligible school corporation.

*Department of Education (DOE):* The DOE is required to administer the circuit breaker loss grant program. The bill requires school corporations to apply to the DOE for grants, with the grant application procedures to be prescribed by the DOE. The DOE would distribute the annual grants to school corporations in two equal installments. The DOE will experience minimal one-time administrative cost to develop the grant application process, and minimal ongoing cost of printing grant applications, reviewing grant applications, and managing the flow of grant funds to school corporations. The DOE's current level of resources should be sufficient to complete these tasks.

*State Budget Agency (SBA):* The SBA is required to generate estimates of school corporation circuit breaker losses for purposes of the grant program. The SBA's current level of resources should be sufficient to complete the circuit breaker loss estimates.

**Explanation of State Revenues:** *Circuit Breaker Loss Replacement Grants Revenue:* The bill distributes revenue from the riverboat wagering tax (from all but the French Lick Casino) to pay for circuit breaker loss replacement grants beginning in FY 2012. The bill requires this distribution after the distributions for local revenue sharing and local units where the riverboat casinos are located, but before the distribution to the state General Fund. Consequently, the bill would essentially redirect revenue from the state General Fund to the specific purpose of paying school corporations for circuit breaker losses. (See *Explanation of State Expenditures* for a discussion of the estimated FY 2012-FY 2014 cost of the circuit breaker loss replacement grants.)

Under current statute, the first \$33 M of revenue each year from the riverboat wagering tax collected at all riverboat casinos except the French Lick Casino is distributed to local revenue sharing. From their 25% of the revenue up to FY 2002 distribution levels is distributed to cities and counties where the riverboat casinos are located, with the remainder distributed to the state General Fund. The Revenue Technical Committee forecast (December 15, 2010) estimates that the state General Fund will receive \$573.1 M in FY 2012 and \$550.5 M in FY 2013.

#### **Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Circuit Breaker Loss Replacement Grants to School Corporations:* According to current estimates, 2 school corporations – the Gary and Muncie Community School Corporations – will have circuit breaker losses that exceed 33% of their total property tax levy in CY 2011.

Under this bill, these schools would receive grants equal to 80% of their circuit breaker losses. The CY 2011 grants are estimated at \$11.5 M and \$4.6 M, respectively. Beginning in CY 2012, only the Gary Community School Corporation is estimated to have circuit breaker losses exceeding 33% of levy. The total minimum replacement grant under this bill is estimated at \$16.1 M in CY 2011, \$11.3 M in CY 2012, and \$11.1 M in CY 2013.

In addition to the required grants for school corporations that have circuit breaker losses exceeding 33% of levy, all other school corporations may receive grants. The DLGF would determine the grant percentage (up to 80%) for each of these schools. The maximum grant amount, including both the required grants and the grants to other schools is estimated at \$143 M in CY 2011, \$136 M in CY 2012 and \$125 M in CY 2013.

School corporations would be required to deposit replacement grant revenue first into the debt service fund to replace circuit breaker losses in that fund. Grant revenue that exceeds debt service fund losses could be deposited into any other school corporation fund or funds.

**State Agencies Affected:** Department of Education; State Budget Agency; Department of Local Government Finance.

**Local Agencies Affected:** School corporations.

**Information Sources:** OFMA property tax database. Revenue Technical Committee Forecast (December 15, 2010).

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